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CHANGES OF GOVERNMENT EMPLOYMENT POLICY IN THE FACE OF ECONOMIC GROWTH IN JAPAN SINCE WORLD WAR II

By Kaichi MAEKAWA*

I Introduction

At the present time government labour administrators in Japan are confronted with two major problems: one is the development of a policy for securing more labour; the other is the development of a policy to govern labour-management relations. Further economic growth will necessitate an increased labour force, and a good relationship between this new force and management must be maintained. Consistent with the principles of "economy" and "efficiency" this new labour force must fit smoothly into the economic system.

With these two basic problems in mind the government has proposed the following steps: 1) employment measures based on active recruiting, 2) improvement of accident-prevention systems, 3) revision of welfare policies, and 4) steps for stabilizing labour-management relations. In view of the basic goal of furthering economic growth, and in view of many problems which stand in the way of such growth (*e.g.* a shortage of available labour, liberalization of capital, tight-money conditions, inflation, *etc.*), the above-mentioned measures have been formulated.

The necessity of stabilizing labour-management relations in order to maintain and further develop industrial prosperity is obvious. Therefore, since such stabilization and steps such as numbers two, three, and four above have been concerns of labour administrators in the past, if we are characterize the distinguishing feature of government labour administration *at the present time* we must turn to the policy of the active recruitment of the labour force.

The problem in Japan at present is not how to cope with unemployment, rather just the opposite, how to secure enough labour, particularly in the field of expanding industries. The problem of unemployment is viewed mainly as a supplement to the problem of securing additional labour. Consequently, active recruitment of the labour force is the primary concern of labour administrators here.

The policy of active recruitment, for which legal grounds were established in the "Law Governing Employment Policy" of July, 1966, has been undertaken

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in earnest since March of 1967. We shall now attempt to discuss various aspects of this policy, bearing in mind throughout the discussion factors such as the following: Whether or not this policy has in fact changed the nature of government labour administration, and if it has, in what way? To what kinds of problems does the policy of active recruitment give rise? How is the development of this policy linked to labour-management relations?

II Development of Employment Policy in the Postwar Period

In the past the central factor in the labour economy of Japan was a surplus of labour. This surplus made the labour market benefical for the employer, and resulted in a low level of wages and working conditions. The surplus, often considered to be the unavoidable fate of the labour economy of Japan, continued throughout the immediate postwar period. The surplus could not fail to affect the policies put forward by the labour administration.

This problem no longer prevails in the present-day economy. On the contrary, the basic factor now is a shortage of labour. Policies have had to change to meet the new conditions of the labour market. In considering the ways in which government labour administrators have coped with the surplus on the one hand and the shortage on the other, we must ask what are the qualitative differences in recruitment policy? Let us now consider the administrative problems arising out of the transitional period in postwar Japan, when the country moved from an excess to a shortage of labour. In doing so let us see if there was any change in labour administration.

The transition was accelerated by certain social and economic conditions in the decade from 1955 to 1965 (three key dates were 1955, 1960, and 1963–64 — which will be discussed below). Therefore we shall compare recruitment policies of the decade from 1945 to 1955 with those which were subsequently put into effect.

In April of 1949, the government published the results of a survey of the postwar labour economy in the form of a White Paper, for the purpose of formulating labour policy. The major point of its analysis was the actual condition of employment and unemployment. The paper gave special attention to excessive demands which employers were able to make on labourers and an increasing trend of unemployment:

> Beginning in 1948, a tendency toward relative over-production, slowdown of inflation, normalization of the currency, *etc.*, produced a situation in which labour came to be increasingly burdened, and also in labour surpluses throughout the fields of manufacturing and mining industries .....
>
> The total number of unemployed after the war increased markedly due to repatriation of overseas Japanese and demobilization of the military, together with the shutting down of much heavy mining and industry. According to the

national census of 1945, the total number of unemployed was roughly 2,500,000, most of whom had been gainfully employed at one time. Although unemployment decreased after 1945, due to the recovery of economic activities and an increase in agricultural and commercial positions, the number of people in certain categories of the unemployed did not. According to the national census of 1947, the number of people actively seeking employment but unable to find work was down to 670,000, but the number of people unemployed and not actually seeking work was on the increase, totaling some 370,000. Nevertheless, beginning in 1948, the number of unemployed began to rise considerably, in spite of increased production in mining and industry.

— See *Labour White Paper* (1947), pp. 24, 25.

Already by 1951, when the Japanese economy took initial steps toward restoration of independence with the establishment of an economic plan of its own, the same situation existed — an excess of labour, albeit to a different degree. The "*Labour White Paper*" of 1951 stated:

In the postwar era there was a tremendous reduction in the scale of the economy together with an increase in the number of young people just coming into the labour market. This excess of labour, in coming to be a major factor in the economy of Japan, contributed to the rise of all sorts of problems.

— See *Labour White Paper* (1951), p. 156.

The excess of labour which can be seen in the 1951 statistics[1] remained virtually the same, though exhibiting some quantitative differences, throughout the decade from 1945 to 1955. Thus the basic problems of this period were centered on the existence of a layer of unemployed workers. The central problem of government labour administration and its most important goal between 1945 and 1955 was to solve this unemployment problem.

However, transition to the present-day stage of a shortage of labour took place in the decade from 1955 to 1965. This transition is illustrateed in the following table:

As the table shows, after 1955 the number of people competing for available jobs and the percentage of positions actually filled decreased consistently. But the shortage of labour began to be noticed very early, since in certain areas of industrial production shortages appeared right away. The "*Labour White Paper*" of 1956 contained a section entitled "Shortages in the Midst of an Excessive Supply of Labour", in which it was stated that "while an excessive supply of labour existed —— with many job-hunters and many who only held temporary positions ——

1) The following figures will illustrate the extremely unbalanced condition of the labour market in 1951: against 913, 810 job-hunters, seeking both permanent and temporary positions, jobs offered numbered only 293, 758 (14.8%). Against 7, 283, 421 day labourers seeking jobs, only 5,629,034 (79.7%) jobs were offered on a daily basis. Of the 310,758 high school graduates who sought jobs, the number offered was only 274,682, and out of these only 201,326 were actually filled. This is indisputable evidence for a growing surplus of labour —— and unemployment.

Year	Number of People Competing for Each Job	Percentage of Positions Actually Filled
1955	3.6	44.8%
1956	2.6	44.1%
1957	2.1	36.2%
1958	2.6	38.7%
1959	2.0	33.6%
1960	1.4	26.0%
1961	1.0	20.1%
1962	1.0	17.4%
1963	0.6	9.6%
1964	0.6	8.3%

Taken from data of the Employment Bureau of the Ministry of Labour.

a situation arose in which a particular industry or a certain profession found it almost impossible to secure the labour it required." [See *Labour White Paper* (1956), p. 44.] In general, in spite of an overall excess of labour, industries of middle or small size and industries which were not expanding were finding it increasingly difficult to hire either young or skilled labourers, and this was closely followed in those industries which happened to be located far from a large labour market.

After 1960, when new government policies to promote economic growth led to increased capital investments and expanded production, the shortage of labour first really became noticeable. The "*Labour White Paper*" of 1960 pointed out that an increase of demand for labour, particularly in large and medium sized enterprises, was occuring —— especially for high school graduates and people with special skills.

The paper went on to state:

> As the ratio between demand and supply of labour leveled off it became increasingly difficult for medium-and small-scaled enterprises to recruit qualified workers. The percentage of positions actually filled in 1959 declined to 26% the lowest level to date. The greatest problem in recruitment concerned high school graduates, skilled workers, and craftsmen.
>
> — See *Labour White Paper* (1960), p. 22.

During the period from 1960 to 1965 the Japanese government encouraged and promoted economic growth by pursuing positive and rationalizing policies. During these years the demand for young and specially-skilled workers became more and more intense. By 1963 the demand actually exceeded the supply, and the percentage of positions actually filled fell below 10% (see above table). Said *the* "*Labour White Paper*" of 1964: "Changes in certain labour phenomena, mainly the shift from excessive manpower to a shortage, indicate that the present-day labour

economy is in the midst of a period of transition." [*Labour White Paper* (1964), p. 20.]

Thus the labour administration had to shift its major concern from the problem of unemployment to the problem of a shortage of labour. What changes resulted from this shift of emphasis? Change in official policy was expressed in the form of a "Revision and Improvement of Unemployment Policy". In October of 1962 the Ministry of Labour published its proposals, the core of which was stated as follows:

> As a result of growth in the economy, labour conditions have improved substantially since the establishment of the present policies dealing with unemployment. In the long run continued improvement in the demand for lalour may be expected.
>
> From now on the formulation of policy should give emphasis to programs which encourage prompt placement of workers in available jobs to fulfill increased needs.
>
> — From *Twenty Years After the War — Labour*, p. 66.

Based on this conception, portions of the Law Governing Employment and the Law Concerning Unemployment Emergences were revised, emphasizing the securing of adequate labour rather than unemployment *per se*. The policy was designed so that those who were unemployed were classified according to their abilities, and given vocational training in order to qualify them for available jobs. In this way restoration of workers to normal employment was attempted. Those who were weak or aged were assigned light work with relatively low pay, based on the previous unemployment system. In other words, those who came under the old unemployment system were divided into two categories for the purpose of placement —— the one to be directed into jobs, the other to be placed under social welfare agencies. While both types were provided for, major emphasis was plased on directing as many as possible back into the labour market.

This "new employment policy" emphasized securing additional labour rather than social welfare. This was a significant change, worthy of careful attention. We shall have to take note of the problems which arise out of the new conditions and pinpoint their source.

III Implementation of the Positive Employment Policy

By 1963 and 1964 the demand for labour had exceeded the supply. The greatest problem in the formation of labour administration policy, in the face of expanded international competition (after a period of relative stagnation in 1965–66), was to rectify this discrepancy.

As the table shows, by 1967 50–60% of enterprises which employed over 1,000 people and 60–70% of enterprises which employed less than 1,000 people reported difficulties in securing craftsmen and unskilled workers. Thus the shortage of labour

Table Listing the Percentage of Surpluses and Shortages of Labour According to Particular Positions

	Type of Position / Amount of Labour Available	Administrators	Technical Researchers	Salesmen	Licensed Artisans and Craftsmen	Skilled Workers	Unskilled Workers	Others
Businesses with over 1,000 Employees	too many	2	—	—	1	0	1	1
	slight surplus	14	4	1	3	2	6	4
	just enough	75	68	79	46	49	34	77
	slight shortage	9	25	18	30	31	35	12
	too few	—	3	2	20	19	24	7
Businesses with 500–999 Employees	too many	1	1	—	—	—	—	—
	slight surplus	12	2	2	1	1	3	2
	just enough	72	57	75	39	37	28	73
	slight shortage	14	35	20	37	37	41	17
	too few	1	5	2	20	25	28	8
Businesses with 300–499 Employees	too many	—	—	—	—	—	—	—
	slight surplus	7	2	1	—	—	—	—
	just enough	72	57	74	33	29	30	71
	slight shortage	21	32	23	40	42	38	24
	too few	1	10	3	27	29	32	4
Businesses with fewer than 300	too many	0	—	—	—	—	0	—
	slight surplus	5	1	1	0	0	0	—
	just enough	69	47	64	28	32	24	64
	slight shortage	22	39	31	42	35	34	26
	too few	3	13	4	30	32	40	10

From Ministry of Labour, "*Trend Analysis of the Labour Economy*", May 1967.

supply was by this time substantially affecting businesses of all sizes.

In 1963 and 1964 only medium and small sized enterprieses required measures to cope with labour shortages. Consequently, their problems could be met by rechanneling those from the excessive labour supply who had some working ability. Only certain revisions in the current unemployment system were necessary. However, when the shortage became acute enough to affect large industries —— particularly industries which were expandied —— such methods as the placement of workers of middle or old age no longer proved adequate. This was mainly because large enterprises were looking for young workers, a category in the labour market which was not growing rapidly. Thus the problem of securing young labour became a main issue, and made mobility between different regions and industries necessary.

Originally, partly because of a surplus of labour, there was little mobility within the basic economic structure[2]. However, once a shortage of labour came about the maintenance of this closed-door system became increasingly difficult. Since competition for available labour grew it became necessary for labour administration to set certain standards governing competitive practice. Thus employers found themselves on the horns of a dilemma. On the one hand the desire to secure the most efficient and economical labour force in the presence of a shortage would lead to unscrupulous practices, which if allowed to go unchecked would act to the detriment of all. On the other hand the need for some kinds of adjustments would mean difficulty in achieving the goals of the individual business. Since individual businesses could not be expected to take the latter course, national administrative action and controls became necessary. One important point which must be clear is that not until this problem became serious for large enterprises did the government intervene.

Thus the policy of undertaking limited attempts at mobility (*i.e.* rechanneling workers of middle and old age into the labour market) which had been undertaken in the case of shortages in middle and small sized enterprises, had to be expanded to include young workers and to meet the needs of large enterprises.

As far as government labour administration is concerned it should meet the needs of all enterprises regardless of size. In 1966–67 the government formulated a policy designed to achieve greater mobility through more efficient utilization of potential labour, particularly married females and middle and old aged workers. This policy was consistent with the government's basic plan for the continuation of economic growth. Nevertheless, the rehabilitation program dealt with only one sector of the labour market.

2) When a worker came under the employ of a particular business he generally remained with that business throughout his career. This was in his own interest since the principle of seniority was predominant, and, since there was no shortage of labour his chance for a better position somewhere else was at all times only minimal.

IV Problems in the Enforcement of the Overall Plan

The policy formulated on the basis of a government pamphlet entitled "*The Overall Plan*" must be assessed in terms of the way it was implemented in specific programs. In so doing the relationship between theory and practice in the basic scheme should be revealed.

The important statement in "*The Overall Plan*" went:

> By clarifying the trend of employment, nothing the problems which have arisen, and noting the direction toward which the policy is leading, government administrators hope to:
>
> 1) Attain uniformity in their thinking, to bring about the proper attitude with which to solve the overall problems positively.
>
> 2) Carry out the necessary measures in a manner considerably more active than in the past.
>
> 3) Encourage non-governmental bodies to establish programs of their own to cope with future problems, and at the same time to encourage co-operation with government policy.
>
> — See *The Overall Plan*, published by the Ministry of Labour, 1967, pp. 2–3.

We must now concern ourselves with the meaning of such terms as "overall" and "positively", and also the meaning of "encourage non-governmental bodies to establish programs of their own". Let us now proceed to take up these issues by comparing problems arising out of the basic plan and the directions of employment policy.

After pointing out the discrepancy between the demand and supply of labour in various industries, regions, professions, *etc.*, and making recommendations on how to combat these problems, "*The Overall Plan*" went on to state: "These are matters of extreme importance to the maintenance of long-range development in the economy." It went on to enumerate the problems facing the labour market: 1) shortage of artisans and craftsmen, 2) non-utilization of middle and old aged workers, and 3) general job insecurity. It went on to state:

> One emphasis of our employment policy should be to assess reasons for discrepancies in demand and supply which will lead to the elimination of these discrepancies, and thereby achieve improved standards for labourers and promote development of the national economy. Under these circumstances government should pursue a strong employment policy, co-ordinating it with other economic and social measures which help to encourage the securing of trained workers. In addition it should encourage the rehabilitation of middle and old aged workers and elimination of job insecurity —— all of which may be secured through modernization of the labour market, through elimination of various traditional, non-rational elements.
>
> — See *The Overall Plan*, published by the Ministry of Labour, 1967, p. 16.

Such statements as "co-ordination with other economic and social measures" and "modernization of the labour market through elimination of various traditional, non-rational elements" certainly indicate a concern with "overall" and "positive" policy. In reality, however, these policies are directed at securing artisans and craftsmen, rehabilitating middle or old aged workers, and eliminating job insecurity —— in short, the securing of labour and its effective utilization. But even in just the securing of labour only those policies which deal with the problem on a general basis regardless of the size or scope of the enterprises involved should be considered, since labour shortages have affected all enterprises. But when the labour shortage first appeared among medium and small sized enterprises, government policies were by no means positive at all. Only when the shortages began to affect expanding industries and large-scale enterprises was the plan formulated. Thus the primary target of the basic plan was the cope with labour shortage in large businesses. We can conclude from this that when the government spoke of an "overall" and "positive" plan it was only rationalizing a policy to secure labour for big business.

If such was the case then how could the government hope to achieve co-ordination with other social and economic measures, and the establishment of a modern labour market? In other words, let us see to what extent the government was able to achieve its major goal.

One specific measure in "*The Overall Plan*" was to encourage non-governmental bodies to solve their own recruiting problems by encouraging reforms in the traditional wage system (which was based on seniority, discrepancies in pay scales, and closed avenues for advancement), and replacing the system with a new one based on ability. In order to help facilitate this change the government took the lead by conducting various investigations and providing non-governmental bodies with the results.

If new wage systems are to be established by labour and management *autonomously*, then participation in the establishment of these system by the government is naturally limited. Thus the wording of the government plan, which spoke of "encouraging" non-governmental bodies to change the wage system was proper. However, if the government should intervene directly in such matters as are reserved to labour and management then this would be a violation of the spirit of "*The Overall Plan*". In considering the actual enforcement of the plan we should watch this particular aspect carefully.

In the traditional wage system of Japan each business set its own wage stanards, organized on a rather conventional seniority basis. The labour market naturally corresponded to this closed system, thereby inhibiting mobility of labour between different industries and regions. It stands to reason that to increase mobility the traditional wage system had to be abolished. Issues taken up in "*The Overall Plan,*" such as the modernization of the labour market and reforms in the wage system are thus quite correct and should contribute to good relations between labour

and management.

If the basic plan is to be achieved —— *i.e.* to modernize the labour market and reform wage practices through individual enterprises and non-governmental bodies —— then the role of government is to establish the basic conditions under which labour and management can meet face to face on an equal basis, particularly *workers* in the medium and small sized enterprises. These workers must first of all be organized. Of course, organization into modern labour unions is not absolutely necessary for establishment of wage reforms and a modern type of labour market, but the two usually go hand in hand and mutually interact.

According to a survey made in 1966, 64.6% of workers in Japan were not organized. Nearly all of these were engaged in medium and small sized enterprises and employers in most medium and small sized enterprises handled labour matters on an individual basis. Under these circumstances, in order to encourage labour and management to solve employment problems autonomously the government must conceive of a plan which will put the two on an equal basis.

Another of the principle aims of "*The Overall Plan*" was to let labour and management solve employment problems through reforming the wage system and modernizing the labour market. Yet the plan also sought to help stabilize labour-management relations by strengthening the administrative office which handles labour problems. Consequently, we must beware of the possibility that under the guise of "modernization" or "reform" governmental control in the area of labour-management relations may actual be considerably tightened.

V Conclusion

In this paper we have discussed the policy of "active recruiting", which is at the base of "*The Overall Plan*" for economic growth, by looking at the actual steps taken by the government since the end of the World War. These steps may be summarized as follows:

1) A change of employment policy in keeping with changes in the labour market. The transition from a surplus to a shortage of labour between 1955 and 1965 forced a change from a policy based on unemployment and social welfare to one of the active recruitment of labour.

2) The securing of labour for expanding industries and large-scale enterprises. As the shortage of labour reached big businesses the government formulated specific measures designed to secure young and specially trained workers, and also measures to increase mobility.

3) The priority of economic goals over social goals. The policy of active recruitment concentrated more on channeling workers into the labour market than it did on social welfare measures.

4) Leaving highways for tightened control of the labour economy open for the future. In providing means for reforming the wage system and modernizing

the labour market, and means for enforcing these measures the government left the way open for possible direct intervention in labour affairs. If this happens, the government will be encroaching upon its stated position of autonomy for labour and management.